Dear Investor

Please note that information regarding companies (issuers) and financial instruments (e.g. shares or bonds) in this investor letter shall not be considered as investment recommendations to buy, sell or hold any financial instruments. Information about companies and financial instruments shall only be considered as information concerning the fund's portfolio and risk profile for that quarter.

The rates market went against the FED's decision to upsize its rate cut in September, clearly believing it was too much too soon. Nominal/real yields and inflation breakevens (spot/forward) were higher in the US across the curve in a small rerun of what was the norm in 2022-23 while the longest tenors continued to steepen as the market focused more on the potentially fiscally generous outcomes of the presidential election. The USD remained strong against EM and DM while gold remained unusually supported despite the backdrop. Oil gave back recent gains as it became clear that the tensions in the Middle East were not about to escalate dramatically. Base metals gave back some of their recent gains as the market concluded China's support measures will most likely not be enough to drive a significant turnaround in the economy in the near term. The move in US rates naturally drove rates products to weakness with CEMBI down by almost 0.9% in October (USD) as IG papers bore the brunt of the move in rates. Our EUR denominated institutional share class returned -0.9% (gross) and was about 20bps ahead of its benchmark. Similarly, our USD I and II share classes returned -0.8% (gross) and were about 10bps ahead of the benchmark.

LatAm went from top performing region in September to the worst performing one in October with a return of -1.2% (-2.1% IG / -0.5% HY). The region's small footprint in the IG space did not prevent it from taking in a lot of the damage from the move in rates as Mexico, deemed to be largely tied to the US, delivered a return of -2.2% (-2.8% IG / -0.8% HY). Mexican IG credits are dominated by long duration-low spread papers which reacted to the move in rates. Furthermore, the proximity of elections in the US and the lead of Donald Trump in the polls/betting markets may have prompted some market participants to scale back their exposure to Mexican risk in general on the back of Trump's harsh rhetoric against migrants and trade. Our overweight exposure to Mexican credits delivered positive relative performance driven by our focus on the shorter tenors and lower risk names in this jurisdiction. Brazilian credits were also weak with a return of -1.2% (-1.9% IG / -0.8% HY) as political controversy and fiscal concerns added noise on top of the broader move in rates. Our modest overweight to these names yielded positive relative performance owing to our sector selection.

Credits from Asia were next in line with a return of -0.8% (-1.1% IG / +0.3% HY) as the high yields in the distressed space in China served as a buffer amid the pain in the purer rate pass through vehicles in the IG space. Chinese credits were down by only 0.3% in October (-0.7% IG / +2.0%) as its HY names caught a bid on the back of potential support measures for the real estate sector being announced alongside the monetary easing measures at the end of September. Our underweight exposure to Chinese credits yielded modest negative relative performance as we are not deeply invested in the country's troubled real estate sector. Elsewhere in Asia, the usual IG stalwarts in Taiwan and Thailand delivered negative returns in the vicinity of 1.5% owing to their interest rate sensitivity. Indian credits remained relatively insulated with a return of -0.7% (-1.3% IG / +0.2% HY) as HY rated issuer Vedanta lifted HY performance on the back of securing new financing deals and even a credit rating upgrade. Our overweight exposure to Indian credits yielded positive relative performance, despite avoiding Vedanta, owing to our preference for shorter tenors and "friendshoring" driven ideas in the industrial/energy space.

CEEMEA names fared marginally better with an aggregate return of -0.7% (-1.4% IG / 0.0% HY). The IG weakness in Eastern European and Middle Eastern jurisdictions was partially offset by strong returns in Ukrainian papers which were up almost 3.0% as the market began to discount Trump's promises of solving the war in 24 hours . Kernel's announcements lifted performance as the company reported growth in oil sales, they stated they would honor their 2024 maturity, and they also received financing from European entities. Our overweight exposure to Ukrainian names yielded neutral relative performance. At the other end of the credit rating spectrum our overall underweight in Saudi Arabia, Qatar, and the UAE yielded modest positive relative performance owing to our preference for industrial names from the UAE. Lastly, Israeli credits delivered negative returns of -0.5% (-0.3% IG / -0.5% HY). The tensions with Iran and its proxies continued albeit, in the end, any attacks carried out by each side were deemed to lack enough to trigger a dramatic escalation of the hostilities. Oil names with exposure to fields in conflict zones led underperformance in Israeli papers. Our underweight exposure to these credits yielded modest negative relative performance as our underweight on Teva could not offset the performance in the energy credits despite the company's clashes with US and EU regulators in October.

EM corporate issuance came in at about USD47bn which was a notch below a strong September but probably still driven by issuers eager to avoid volatility from the presidential elections in the US. About USD21bn came from Asia while close to USD10bn came from LatAm. The Middle East and Africa regions placed USD9bn while emerging Europe reported slightly above USD7.0bn. The market is largely still in a "soft landing" mood, which can boost issuance activity albeit the rates market has probably been too quick to price massive economic deterioration in the US hence a small pullback in yields has been playing out. The upcoming US presidential elections have become the focus of market participants.

04/11/2024	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*-1.03*	*5.97*						
EM Corporate Index	-0.86	7.47	6.33	0.37	-0.48	197	-12	-84
CEMBI Investment grade	-1.32	5.04	5.50	0.35	-0.05	110	-13	-44
CEMBI High Yield	-0.19	11.10	7.89	-0.32	-1.22	359	-18	-151
EMBI	-1.72	6.49	7.78	0.24	-0.07	333	-24	-50
EMBI Investment grade	-2.96	1.67	5.61	0.42	0.37	109	-2	-7
EMBI High Yield	-0.50	11.47	10.44	-0.01	-0.56	605	-51	-95
Developed USD IG (JPM)	-2.33	2.51	5.43	0.40	0.29	96	-6	-15
US High Yield Corp (BarCap)	-0.01	7.48	7.31	0.34	-0.28	275	-13	-48
5Y US Treasury bond	-1.83	2.10	4.15	0.60	0.30	n.m.		
10Y US Treasury bond	-3.33	0.00	4.29	0.50	0.42	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

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